

REPORT  
TO  
HIS EXCELLENCY, MANUEL L. QUEZON  
PRESIDENT OF THE COMMONWEALTH OF THE PHILIPPINES  
ON  
INDUSTRIAL EXPANSION OF THE PHILIPPINES

PROJECT REPORT NO. 1  
MAY 15, 1943

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ANDRÉS SORIANO

LETTER OF TRANSMITTAL

May 15, 1943

His Excellency  
Manuel L. Quezon,  
President of the Commonwealth of the Philippines  
Washington, D. C.

My dear Mr. President:

I beg leave to have the honor of submitting for your consideration this report on "Industrial Expansion of the Philippines."

This report has been prepared, in collaboration with myself, by a group of outstanding American industrialists and businessmen. These American associates have agreed to join me in an endeavor calculated to secure for the Philippines a large share of Japan's preponderant pre-war position as the leading carrier and manufacturer in the Far East.

We propose, provided it will meet with Your Excellency's approval, to form a Philippine corporation which we trust will be instrumental in assisting Your Excellency's Government in bringing to the islands an increase and diversification of production, economic independence, and a richer life and wider opportunities of attractive employment for the Filipino people. For this purpose, we submit for your consideration our desire for this Philippine corporation to establish and operate certain shipbuilding and industrial projects as mentioned in this report.

In respect to these proposed industries, I beg leave to stress the point that the partners of my group contemplate in no way whatever the possible creation of a monopoly. On the very contrary, we are fully prepared to reserve a participation in the projected shipbuilding and repair program to other existing Philippine shipping interests, more particularly to the following:

De La Rama Steamship Co., Inc.,  
Madrigal y Cia,  
Fernandez Hermanos,  
Aboitiz - Naviera Filipina.

Also, I beg leave to be allowed to say I consider myself very fortunate in having succeeded in interesting my American partners in these projects.

We also will welcome the participation of the Philippine National Development Company, if such a step will fit in with the post-war policy of Your Excellency's Government. We have agreed to earmark ten per cent of the capital for this purpose, and to keep it available for the National Development Company, in case that after liberation of the Philippines, Your Excellency will find that the commitments of the Government will permit the acquisition of an interest in our projects, up to the said ten per cent of the capital. Such a participation would have the added advantage of placing a Government representative on our boards of directors, and thereby assuring the closest cooperation with the Government's industrialization policies.

May I be allowed to state, as is indicated within this report, that I believe that once my group has shown the way to post-war industrial developments in the Philippines, many other developments will

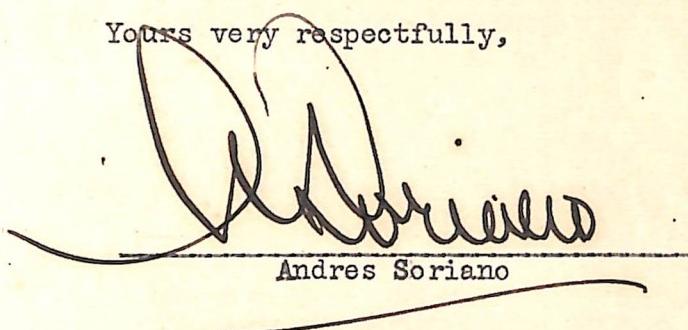
follow, either in new departures or in fair competition with ourselves. This is a natural and healthy state of affairs for the growth of our country -- a growth which will benefit the nation as a whole as well as all of its nationals.

I further beg leave to attach a personal letter addressed to Your Excellency, in which I have tried to express my sincerest appreciation for the honor and confidence which Your Excellency has always shown me, particularly since appointing me to your War Cabinet.

May I reiterate the assurance of my appreciation of whatever consideration Your Excellency may see fit to give to this report.

I beg to remain, Your Excellency,

Yours very respectfully,

A handwritten signature in black ink, appearing to read "Andres Soriano". The signature is fluid and cursive, with a long horizontal line extending from the end of the signature to the right, ending with a small flourish.

Andres Soriano

## THE PHILIPPINE ISLANDS

### ECONOMIC STATUS BEFORE PRESENT WORLD WAR.

At the outbreak of the second world war, the Far East was confronted with a situation where all its countries, with one notable exception, possessed only colonial economic systems producing principally raw materials which they exchanged for manufactured goods and services. The one noted exception was Japan, which in spite of its limited natural resources had managed to build up a more rounded-off economy, to its own immense advantage, and much to the disadvantage of the United Nations.

A large portion of Japan's industrial products and services filled a very real need in the other countries of the Far East.

### CHANGE RESULTING FROM WAR.

It is expected that the above situation will not be maintained after the war. There is every reason to believe that Japan's industrial domination will be destroyed to some extent in the course of a United Nations' victory. A portion of Japan's industrial products and services which had heretofore filled the major requirements of the other neighboring countries, will have to be provided for in the future in some other manner. A real need and demand will exist after the war.

### FUTURE POTENTIAL POSITION IN THE FAR EAST.

At the conclusion of the present war, the Philippine Islands will have a splendid unparalleled opportunity for the molding and building of their own future empire and of assuming a major position in the

Far East.

The Philippines will be the only country in that part of the world which will emerge out of the present war with a stable government based on popular support, provided, of course, that its existing economic establishment is not destroyed wantonly by Japan.

Furthermore, the Philippines is the only country in the Far East with an Americanized outlook and an occidental population. They have absorbed both Western and Eastern culture and traditions, and are in an excellent position to bring about better relations between the East and the West. They have the necessary human, as well as material resources for an industrial development. The Filipino people are matured and are capable of independent and reasonable self-government. Students of colonial history acknowledge that in this respect the Philippines are an exceptional country in Southeast Asia. Fortified with the post-war Philippine-American relationship, the Philippines could serve as the bastion of law and order in the Far East as part of whatever international force may be established by the United Nations. The Philippines will be looked upon with favor by the United States as a means of strengthening the forces of peace and order in the Far East.

The necessary premises for a major industrial development are to be found largely in the Philippines. Its politic and economic uncertainty no longer exists. This uncertainty in the past had discouraged large capital from embarking on a project of sufficient industrial magnitude. The time is now appropriate whereby the Philippine Government and strong business interests could bring about an important change from a colonial to a modern industrial economy, which would be

a prime factor toward the Philippines assuming a major post-war industrial position in the Far East.

The void created by Japan's expected exit as the Far East's leading industrial power cannot be filled by any European nation soon after the end of hostilities: they will have their hands full with their own reconstruction problems.

With the necessary spirit of enterprise, together with the far superior potentialities of the Philippines, as well as the exceptionally favorable trade conditions which are imminent for the Philippines in the Far East after the war, an industrialization program for the Islands will encounter no great obstacles. The Philippines should greatly supplant Japan in its role as the leading carrier and purveyor of manufactured goods in the Far East.

#### FUTURE GOVERNMENTAL POLICY

Due to changing conditions up to the present, the Philippine Government may not have settled upon a clearly defined program of industrialization. However, steps have started toward this end. The Tydings-MacDuffie Act provides for Philippine Independence on July 4, 1946, and also for a committee consisting of three members from each of the United States Senate, House of Representatives, and Administration, together with an equal number of Philippine representatives, whose task will be to study Philippine economic conditions and make recommendations regarding trade relations after independence.

Regardless of the recommendations of this committee, there appears no doubt as to the political status of the Philippines after the war in view of several pronouncements of President Roosevelt since December 28, 1941, pledging independence to the Philippines. In addition, there are statements from President Roosevelt pledging support for Philippine reconstruction.

The economic policy followed by the Commonwealth Government of the Philippines during that part of the transition period elapsed since 1935 has been one of fostering the development of the islands' natural resources, shipping and industries through the superior efficiency of private enterprise, where such was forthcoming, and where not, then through government-controlled subsidiaries.

In view of the ground work to-date, and the vast horizon now created for the Philippines as a consequence of the war, and engendered by the political independence to the islands, then the continuance by the Government of the Philippine Republic of fostering the above policy toward a well planned program of industrialization should be helpful in making of the islands a new empire.

#### INDUSTRIALIZATION PROGRAM

##### GENERAL SCOPE OF DEVELOPMENT.

It is expected as a result of future meetings between representatives of both the American and Philippine Governments, that the past uncertainties regarding political status and future trade relations will be removed. At the same time the American flag flying over

Philippine air and naval bases will be a permanent guarantee against future aggression. Under such circumstances a full industrialization program can be worked out with safety, bringing to the islands a diversification of production, economic independence, and a richer life and wider opportunities of attractive employment for the Filipino people.

Such a program for the Philippines would involve the local processing, refining and manufacturing of its many natural resources, including minerals, ores, oils and agricultural products; the local design and construction of engineering projects; and the local manufacture of equipment, particularly that required for manufacturing of the raw materials and natural resources into final products; the local construction and repair of ships; the establishment of a Philippine merchant marine, and the operation of same, sufficient to carry the inter-island commerce as well as a portion of the export and import commerce.

The soundness of this program is predicated upon the post-war need and demand for finished products, upon the abundant supply of raw materials in the Far East, upon the wage differential in favor of the Philippines, and upon the strategic potential position that the Philippines can assume in post-war Far Eastern affairs.

#### REHABILITATION OF THE PHILIPPINES

Not until the Philippines are liberated will it be possible to gauge the amount of indemnities, nor the extensiveness of reconstruction, to be granted by Congress to the Philippines. It would appear probable that of necessity reconstruction would be extensive, and furthermore that

certain craft in the Far East in certain instances would be probable.

The high labor cost producing countries, particularly the United States, will be at a disadvantage in post-war ship construction, as compared with the advantages of Philippine construction, regardless of the present reduction in cost of steel cargo vessels from pre-war of \$205 per ton to the present of \$172 per ton through mass production, efficiently utilizing sub-assembly and production-line methods. It is probable that ship construction as well as repairs of Philippine registered ships being done in the Philippines would have a cost advantage of from 60% to 100% over comparable work in the higher cost producing countries -- not allowing for subsidized competition.

During the war Government policies, particularly those of Britain, have limited the cash earnings of ships. Consequently, in many cases, the replacement of obsolescent tonnage which survives the war, and replacement of war losses will require financing. Furthermore, the American and British Governments have been made aware by industry in general of the effect of their war taxation system on the future recuperative power of industrial enterprise. No industry is allowed to make secure provision for the future. As a result of competitive necessity, new ship construction will go to the lowest cost producers. This opens up a new vista for the Philippines.

Commercial steel construction and heavy commercial machine shop operations are successful business allies with shipyard construction and repair operations. One complements the other, and results in a minimum of idle equipment and overhead costs. Particularly should this be so in the Philippines with the post-war rehabilitation and the

backlog of steel and equipment requirements of the Far East.

This Philippine shipbuilding and allied activity (in lieu of Japanese shipbuilding) employed for the world trade and the Far East business should prove a great industry, particularly when linked with the chain of the industrial program of the Philippines.

#### SHIP OPERATIONS.

The Republic of the Philippines will be in an enviable post-war position as regards operations of a Philippine merchant marine, particularly if, as in accordance with the policy of non-discrimination which underlies the Atlantic Charter, all nations are willing to maintain and expand international trade in a market reasonably free from subsidized competition.

This probable and logical increase of the Philippine merchant marine is in line with the trend of the times. Striking changes in size of the fleets under the different flags are expected in the post-war shipping position.

The most practical method of enlarging the Philippine merchant marine is through private enterprise fostered by the Republic. Past experience indicates that a government financed and operated fleet is an expensive luxury and is usually brought to an end by revolt of the tax-payer. Furthermore, such a fleet does not always secure the support of the exporters and importers of the nation concerned, as traders insist on using the best ship carrying power available, whatever might be its flag.

Ship operations are essentially competitive. However, there

should be decided financial and national advantages to this division of the industrial program with the favorable operating regulations and also the favorable differential of operating costs, as they exist under the Philippine flag. It will also furnish and constitute a necessary link of the industrial chain. A strong Philippine merchant marine will be beneficial to the industrialization of the Republic.

#### AIR TRANSPORT AND AIRPLANE MANUFACTURE.

The transportation link is not complete, however, without the inclusion of modern air transport connecting the various islands of the Far East. In post-war time, much high-class traffic previously sea-borne will be diverted to the air -- worldwide.

Collaboration and coordination between air and sea, with due regard to the interests of both forms of transport, will be preferable to out-and-out competition. The General Council of British Shipping currently indicates that the British shipping industry intends to enter the air commerce branch of transportation on a large scale, on a basis of free competition, and without Government subsidy. It will seek to coordinate air transport with shipping services.

Future plans of transportation after the war could best be formulated by giving cognizance to this modern harmonizing of air and sea transport.

A practical ally, both with the air transport and also with the shipbuilding division, would be the construction or assembly of air-planes. These might be licensed by American companies in connection with the joint United States-Philippine air defense programs, and as

such, enjoy whatever economic benefits would result therefrom, as well as improving and strengthening the Republic's position in the aviation industry.

#### IRON AND METALLURGICAL DEVELOPMENTS.

Of advantage to the industrialization program would be the development of the iron deposit in Surigao on the Island of Mindanao, which deposit is held by the Philippine Government as a National Reserve.

The development should be from iron ore to finished steel. If local high-grade coal should not prove available in the Philippines, then coking coal will have to be imported from Manchuria, India or Australia. Whether the entire processing of iron ore to finished steel can be accomplished by use of imported coking coal, or whether pig iron should be produced by means of the Krupp process for the production of metallic iron of a 94% plus Fe content and coking coal only used in the steel manufacturing proper would depend upon economic studies, and also upon the use of the Philippine merchant marine for coking coal transportation.

In case the Krupp process, which involves appreciable electric power, is found to be economical, the necessary cheap power can be generated from the Maria Cristina waterfall by a hydro-electric development at this site in Lanao Province in Northwest Mindanao, about 130 miles from Surigao. The power could be transmitted this distance to Surigao and the ore processed at the site.

The island of Mindanao is relatively undeveloped so far. It

has tremendous potentialities -- great mineral resources, lumber, excellent cattle land, outstanding pineapple plantations, etc. Surigao, as well as the entire island of Mindanao, have the advantage of lying outside of the typhoon belt. To supply the lack of indigenous labor, men could be imported from the nearby overcrowded Visayan islands.

An industrial development, including cheap electric power, on Mindanao, therefore, would open up further important possibilities which would become apparent to the islands' business interests.

The cost of the hydro-electric development at Maria Cristina could probably be borne by the Philippine Government for the benefit of the island of Mindanao as a whole.

The development of local iron deposits, involving the necessary blast furnaces and rolling mills, would then open up further metallurgical possibilities. Importing of tin ore from the neighboring Netherlands Indies for Philippine refining and local tin plate industry would offer opportunities.

The refining of the copper concentrates, which up to the beginning of the war were exported principally to Japan, might in the future be done in the Philippines and advantage be taken of a new copper industry.

Also further metallurgical possibilities would present themselves in connection with local deposits of chromite, nickel, manganese, lead, silver, etc., as thought becomes concentrated on the industrial program.

The potential supply of local coal, though low grade, might

fill a needed place in the enlarged industrial scheme of things.

#### OIL AND REFINERY DEVELOPMENT.

A geological survey of the islands' oil deposits was made in 1940, which gives hope to possible oil developments on the island of Cebu. If drilling operations should prove successful, then this would yield the islands' first supply of local oil and would constitute a desirable part of the industrialization program.

Industrial developments are dependent upon petroleum products. In Manila, gasoline sold pre-war for 32¢ per gallon wholesale, 64¢ per gallon retail; Diesel oil for 9¢ per gallon wholesale. It would appear logical for an oil refinery to be constructed say somewhere in the vicinity of the proposed shipyards near Manila. This refinery could have the capacity of a predetermined percentage of Philippine domestic requirements, depending upon the yield of crude from Cebu. However, if crude from Cebu should prove in sufficient quantities, then the refinery could be increased in capacity to fill a higher percentage of domestic requirements, plus exporting a certain percentage of Far Eastern requirements.

The transportation of the crude and also of the finished products could well be a function of the Philippine merchant marine.

The by-products of the refinery, such as asphalt, could be a very helpful stimulant to a road building or improvement program, when one considers the favorable differential of price that would apply to this by-product as compared to the price of the present supply which is imported from Southern California.

From an oil standpoint, the United States has changed from an exporting country to an importing country. Hence this change will make an independent oil development in the Philippines particularly imperative.

#### MANUFACTURE OF INDUSTRIAL EQUIPMENT.

With the new post-war era of industrialization should develop a good demand for industrial equipment such as pumps, engines, motors, oil well equipment and supplies, refinery equipment and supplies, valves, etc. It may prove practical and beneficial for certain of this equipment to be manufactured in the Philippines, under American licenses, by a manufacturing division located adjacent to the proposed shipyard and refinery. The work could be done by specially trained Filipinos under the supervision of experienced leadership and management.

#### SALVAGING AND REHABILITATION OF MINING EQUIPMENT.

Extensive mining equipment of Anglo and American interests in New Guinea, Sumatra, Malay States, etc., was partially destroyed or sunk to prevent their capture and use by the Japanese. In particular, it is reported there are well over 150 large dredges in the tin mines that were sunk in depths up to 80 feet of water. These will need refloating and rehabilitating, and possibly some modernization.

This operation would be attractive to the Philippine program. The field work might entail cofferdam construction preparatory to floatation of the dredges. After floatation, the extensive mechanical reconditioning that would be necessary might logically be done in the repair shops in the Philippines. This would augment and be helpful to the

islands' industrial expansion provided the development of the facilities had sufficiently progressed so as to be available for service to the Far East by that time.

#### RECONSTRUCTION OF OIL COMPANY FACILITIES.

Considerable demolition was done to the facilities of the oil companies, particularly in the Netherlands East Indies, to prevent their becoming of use to the Japanese. Oil wells were permanently cemented, refineries were dynamited, pipe lines and submarine loading facilities were destroyed.

The design and reconstruction of these facilities for the oil companies would constitute a major specialized operation, appropriate phases of which might be correlated with the Philippine industrial program to mutual advantage.

#### OTHER ALLIED DEVELOPMENTS.

Concurrently with the development of the major divisions of such a fundamental industrial program, there would originate many allied projects of an engineering construction nature, involving transportation, housing, power supply, water supply, communication, etc. In addition, minor industries would spring up in the wake of the basic developments.

This allied activity would help cement together the major divisions, as well as furnish excellent opportunities for the local business entrepreneurs.

## PROCESSING OF RAW MATERIALS.

Only part of the raw materials are processed for local consumption or for export. However, as a result of modern science, certain products in many cases could be processed even further with profitable results, depending upon the requirements for the product. The processing of various industrial by-products which are at present thrown away would be practical, as well as of raw materials which are now being exported without any refining. This will cause an expansion of the finishing industry necessitating equipment, scientific leadership, and specially trained local skills.

For example, the bagasse from the sugar industry is still used as fuel, although this by-product is good raw material for the manufacture of wall-boards, paper and rayon. The residues and molasses from this industry, for the most part exported, are only used to a limited extent for alcohol, which in turn could find an additional use as motor fuel, etc. This by-product also would be good material for the manufacture of yeast and vitamins. In the rice mills, mountains of bran are burned; in the fibre factories some of the material is considered worthless and is thrown away; in kapok cleaning a great quantity of kapok hearts remain unused; in the production of Manila rope from hemp, the by-products could produce fabrics, and possibly further into plastics; the potential uses of cocoanut products in fibre production, oils, cattle feed, brushes, brooms, fabrics, has hardly been touched; etc.

The additional processing as above offers a limited but practical field for industrial expansion. However, the raw materials which

are exported in natural form or but slightly processed, offer greater opportunities. This would include such products as hides, resins and gums, tanbarks, etc. Making hides into leather, leather into shoes, also for export, was growing steadily, and can undoubtedly be expanded. The extraction of tannin from barks could be considered: this production would become greater each year under intelligent reforestation. The future may probably see a further development of Philippine rubber through a suitable factory process of preparation. For example, rubber technology may develop processes whereby latex, the liquid form of rubber, will assume a greater role, and from this a new rubber technology might grow and hold its place against the inroads of synthetic rubber in the future.

Great possibilities exist in the clearing of forests and the manufacture of wood products, including their by-products. In the field of turpentine and resin distilling, of synthetic plastics, artificial wool, shatterproof glass, new paint bases, and of wood pulp, paper and synthetic silk, the natural resources of the Philippine forests offer many opportunities, particularly when aided with practical reforestation work over a score of years.

#### GENERAL ASPECTS.

The earnings from the above activities should yield profits for the entrepreneurs, but also as a consequence thereof it should be possible to build excellent highways, railroads, irrigation works, etc. and to make education, agricultural research, health services, etc., available. Not only is capital formed by these activities to further

expand the work of the entrepreneur, but also, investments would be made by and for the Philippine population. Here foundations are laid for further progress of prosperity.

All of the secondary or allied industries are very important in that they provide business activity on the part of the population itself. This is essential and should be considered just as important as the establishment of the primary industries. Means to this end would include expansion of elementary education, increase of production and consequently of the purchasing power of the individual farmer, a raw material policy, absorption of Filipinos into secondary industries which could be operated by and for them, aiding such developments by lower power rates, by extensive instruction and where necessary by support through Governmental financial grants and commercial policy.

The Philippine people are now mature and ready for a program of intensive cooperation in their future building up of prosperity. One of the means of reaching this will be industrial production organized on a broad scale, including production and exportation of consumer goods. This will invite the finding of markets generally in the Far East and America.

It would be desirable that American organizing and production methods be not transplanted to a Philippine society unless such society would be prepared for them. The above secondary industries would be quite helpful in this respect and would open up opportunities for Filipino leadership, which is very important; this in turn would harmonize with the establishment of the primary industries. This combined activity, not being artificially created, would grow nationally in a sound

and strong manner, with balanced and cooperative relationships between them, and with balanced relations maintained between local production and local consumption, and between export production and imports. The national growth would be sound in that it would be under the guidance of directed economy and with the absence of commercial imperialism.

#### PHILIPPINE CORPORATION FOR INDUSTRIAL EXPANSION

##### ESTABLISHMENT OF A PHILIPPINE CORPORATION.

To be effective as a prime mover to the basic industrial expansion and to be of assistance to the Philippine Government, it would be desirable that a Philippine corporation be established for that purpose. This corporation, and its affiliates, would endeavor to create some of the major new divisions of the program previously mentioned, to help engender other allied activities, to cooperate with and encourage the local entrepreneurs in the development of local allied industries, to foster the accumulation of domestic capital and the training of Filipino management and skilled crafts. Through mutual consultation and cooperative action with the Government, such a corporation would be effective in the islands' development which should insure to the benefit of all, as well as to provide fair returns for the effort involved.

It is planned that this Philippine corporation, and its affiliates, will be owned jointly by Philippine associates and American associates.

### PHILIPPINE ASSOCIATES.

In order to assure close coordination with the economic policies of the Philippine Government, invitation will be extended to the Philippine National Development Company to participate in this new corporation. With this in mind it is intended to reserve up to ten per cent of the capital stock for this purpose, provided such action should meet with the approval of the Philippine Government.

This corporation will be principally of Philippine origin and leadership. Its activities will be sponsored by Andres Soriano. Mr. Soriano, his accomplishments, his sound business policy and excellent ethics are well known to the Philippine Government and need no further introduction in this report.

### AMERICAN ASSOCIATES.

In order to derive the advantage of American industrial accomplishment, and to adopt this knowledge and these principles for the benefit of the Philippine industrial program, Andres Soriano plans the association of certain American businessmen with this program.

The American associates will consist principally of W.A. Bechtel Co., San Francisco, Bechtel-McCone-Parsons Corporation, Los Angeles, and the Dawson interests, represented by Kenneth D. Dawson, San Francisco. Additional specialized American interests may be invited to participate, depending upon the projects' need for such specialized assistance, and subject to the unanimous approval of all concerned.

These Bechtel-McCone-Dawson interests are proven and responsible leaders in American engineering, construction, industry, shipbuilding, and ship operations. They have financial strength, solidity of growth and accomplishments, initiative and resourcefulness of purpose, and a broad base of international construction, industrial experience and ship operations. They are particularly qualified to bring to their Philippine associates the knowledge, experience, technique and the many other advantages derived from the recent American industrial expansion, and to apply these for the benefits of the Philippine industrial program.

#### PERFORMANCE ABILITY OF AMERICAN ASSOCIATES.

For purposes of introduction of the American associates, it would be appropriate to present a summary of their performance -- although W. A. Bechtel Co. probably already is known to some extent in the Philippines in that this company was constructing the Cavite Naval Base up to the invasion of the Japanese.

#### Territorial Scope.

The territorial scope and diversity of activity of the American associates is extremely broad. Their field of actual construction projects extends over Alaska, the Canadian Northwest, United States, Mexico, The Canal Zone, Colombia, Venezuela, the Persian Gulf, the Philippines, as well as the Pacific Ocean islands of Hawaii, Johnston, Palmyra, Samoa, Midway, Wake and Guam. Their field of steamship operations is world-wide.

## Diversified Activities.

Their diversified activities include actual large-scale operations in each and every one of the following individual items:

1. Engineering Projects: The construction of tunnels, power projects, bridges, subways, highways, major pipe lines, shipyards, harbors, jetties, locks, dry docks, naval air stations, etc.
2. Building Construction: The construction of office buildings, power houses, pumping stations, terminals, cantonments, warehouses, airplane modification center, etc.
3. Industrial Construction: The construction of refineries, chemical plants, laboratories, steel mills, etc.
4. Mining Projects: The construction of complete mining projects, including open pit mining, copper smelters, rod mills, concentrators, etc.
5. Ships: The construction of ships, including "Liberty" cargo ships, "Victory" cargo ships, British cargo ships, tankers, tank landing ships, large tug boats and barges.
6. Industrial Manufacture: The design, construction and ownership of plants for, and the industrial manufacture of:
  - a. Equipment items, including marine steam engines, turbines, pumps, electrical equipment and motors, Diesel engines, valves, etc.
  - b. Cement, and sand and gravel.
  - c. Magnesium.
  - d. Somatic protective coatings for pipe lines -- and their application.
7. Airplane Modifications: The modifications necessary to the Consolidated B-24 "Liberators" involving the complete output of Ford's Willow Run factory.
8. Engineering Design: Complete reports and engineering designs of projects, including refineries, shipyards, power plants (both land and marine), chemical plants, harbor developments, tug boats, industrial programs, etc.
9. Allied Business Enterprises: Appreciable ownership and

direction of allied business enterprises, including equipment agency sales and service, insurance and underwriting.

10. Other Raw Material Production: Production of raw materials, principally oil and gold in the Western United States.
11. Steamship Operations: Operation of steamship lines and terminals on world routes.

#### Numerous Clients.

Naturally, such a broad activity creates many clients, many with whom the relationships have developed into a continuing and mutually successful status. These clients are too numerous to mention in detail, but consist principally of:

1. Governmental bodies, particularly the United States Maritime Commission; the United States Navy, including the Bureau of Ships, and the Bureau of Yards and Docks; the United States Army, including the Engineers Department, Air Corps, Quartermaster Corps and the Ordnance Department; the Defense Plant Corporation; the Bureau of Reclamation; and the Public Roads Administration.
2. Public Works Department of various States, Districts, and major cities.
3. Major western railroads.
4. Major oil and gas companies.
5. Numerous public utilities.
6. Various mining and powder companies.
7. Numerous industrial companies.

#### Unified and Comprehensive Service.

The above represents broad diversified major endeavors of the American associates. The background of knowledge and experience represented thereby enables the rendering of a unified and comprehensive service from a single source. This unification is important and would be most contributory to assuring the maximum of success in the empire

building of the Philippines toward their new and vast horizon in the Far East.

#### Western Trend of Development.

These American associates have been prime factors and often-times leaders in the major construction stages of American development over the last thirty years. The first era was railroad expansion, then came highways and bridges, then hydro-electric developments with their dams, tunnels, power houses, etc., correlated concurrently with reclamation projects, then a cross-country net work of major pipe lines, then the present tremendous national defense era -- the trend of development ever westward.

The Bechtel-McCone-Dawson interests have constantly been abreast of developments, both territorially and with the trend of the times. This is typified by their association with present uncompleted contracts of approximately one and eight-tenths billions of dollars worth of commitments -- mostly shipbuilding and war work. This same group, in the same spirit of world development, is most anxious to assist their still further western associates in the new industrial era of the Philippines.

#### DESIRED SCOPE OF ACTIVITY.

It would appear logical that by virtue of the financial strength and diversity of experience and ability of the Philippine and American associates, that this Philippine corporation could best contribute to the islands' industrial development by establishing and engaging only in the major or primary industrial projects. This would in no way

create a commercial imperialism or monopoly. As previously expressed in this report, the basic economic plans of the full program are such as to encourage competition. The program is national, broad in scope, and the numerous opportunities available from allied developments, producing and processing of raw materials, etc. that will arise, as heretofore mentioned, will invite the attention of many other local entrepreneurs.

Therefore, this corporation's, and its affiliates' desired scope of activities for an initial program is as follows:

1. Shipbuilding, Repairs and Steel Construction.
  - a. Repair of general merchant marine vessels,
  - b. Repair of United States naval vessels in Pacific bases,
  - c. Maintenance and repair of the fleet that will operate under the Philippine flag,
  - d. Construction of new overseas vessels,
  - e. Construction of vessels and tugs for coastwise trade,
  - f. Steel construction in general, including bridges, buildings, dredges, derricks, barges, etc.
  - g. Local repair and reconstruction of industrial machinery, including oil refineries and mining dredges for the Netherlands Indies and Malaya, facilities for the sugar and mining industries in the Philippines, general heavy equipment repair, etc.

2. Ship Operations.

Assisting in the establishment of a Philippine merchant marine.

3. Oil and Refinery Development.

- a. Development of oil from local supply at Cebu, if available,

- b. Design, construction, and operation of an oil refinery which would have the capacity of a predetermined percentage of Philippine requirements of petroleum products, if and provided crude oil is imported or Cebu produces only in nominal quantities. However, if local drilling operations should provide sufficient quantities of crude oil, then the refinery would be increased in capacity to fill a higher percentage of domestic requirements, plus export of certain percentage of Far Eastern requirements.

4. Air Transport and Airplane Manufacture.

- a. Participation in the existing Philippine Air Lines, Inc.
- b. Assembly or construction of airplanes licensed by American companies in connection with the joint United States-Philippine air defense programs, or for private or commercial uses.

As the industrial program as a whole unfolds, it is very possible that the owners of this corporation may desire to expand still further into additional fields, subject to the policies of the Philippine Government, such as the local manufacture of industrial equipment, iron ore and allied metallurgical developments, and reconstruction of facilities for the mining and oil companies in neighboring lands, -- all provided, however, that such activities would accrue to the economic, politic and social benefit of the enlarged industrial program for the Philippines.

FINANCING.

Philippine and American capital is interested in undertaking these projects in cooperation with and subject to the policies of the Philippine Government.

### SUGGESTED PROCEDURE

It is evident that negotiations cannot be finalized nor contracts concluded until the reconquest of the Philippines from the Japanese has been completed. The cessation of world hostilities may well be a piecemeal process in time and space. There will be urgent tasks of relief, of repatriation, of rehabilitation, and probably a period of commercial respiration before this industrial program can begin to work out normally.

### LETTERS OF EXPRESSION AND OF INTENT.

However, as for the immediate future, it would be helpful and desirable if there could be discussions between the Philippine Government and the principals involved in the Philippine corporation, with the hope and desire that the basic plans expressed herein, or improvements thereto, will harmonize with the desires of the Philippine Government and also will merit the full approval and endorsement of the Philippine Government. It would be the further hope and desire that such meetings might result in the issuance of "Letters of Expression and of Intent" by the President of the Commonwealth of the Philippines to this corporation, whereby fundamental policies regarding such developments would be determined so as to permit preliminary organizing and basic planning to proceed on a practical basis with mutual understandings between the Government and the corporation.

### SPECIAL STUDIES.

The detailed plans and studies of the individual projects

would then proceed in mutual consultation and cooperative action with the Government. These plans and studies would be completed as far as possible and submitted in report form for each project for Government approval and endorsement. Concurrently with these studies would proceed arrangements relating to negotiations, tentative contracts, financing agreements, etc., so that upon cessation of hostilities the contracts could then be signed and the already prepared plans and well-thought-out procedures could immediately be put into execution with firm, predetermined intent.

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Due to readjustments of world markets, of peoples and of other conditions that will be existing upon the ending of the war, the early timing and speedy execution of this program immediately subsequent to the war will prove very beneficial to a successful launching of, as well as give considerable impetus to, this most inspiring industrial program of the Philippines.

